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SUMMARY

Using the latest golf simulation technology, Tee Lounge (TL) is a state-of-the-art indoor golf entertainment center to be located in the downtown area within the City of Pasadena, California. There are currently no indoor golf centers within a 15-mile radius (30-minute drive) of downtown Pasadena. In fact, there are only two known indoor golf facilities that utilize golf simulator technology in the entire Southern California—one in Santa Monica and one in south Korea Town. Tee Lounge will derive its sales from hourly leases of golf simulator stations as well as supporting sales of food and drink.

Locating TL in the downtown Pasadena area, along the 210-freeway corridor and near a major exit of the 10 freeway, provides many opportunities for revenue growth as it is within a 20-minute drive from 14 cities. With over half the cities having citizens with income levels that are above average to very high (average ~$90K/household), there exists a high density of golfing households with the disposable income and time to patron TL.

Although there are public golf courses and driving golfing facilities in the area, the traditional barriers to golf remain a significant deterrent for many golfers, especially for the casual and novice golfers. Currently, all golfing facilities are subjected to the constraints of weather (too hot, cold, wet, or dark), slow pace of play/long time commitment needed to finish a round, intimidation for beginners, women, and children, and lack of casual/entertainment focus. With its use of the latest technologies coupled with a well-crafted ambiance and service driven environment, TL addresses all of these barriers to fun and enjoyable golf.

To encourage regular patronage, TL will sell membership to its customers. The membership will include special advantages such as priority reservations, membership rates, and member-only events. The benefit to TL will be a steadier stream of revenue as well as a ready target audience for marketing. To promote the advantages of indoor golf to all social bases in the community, TL will also offer low-cost/free lessons to underprivileged children in the greater Los Angeles area.

Financial Summary:

Projected Revenues	Total	Simulators	Food & Drink
Year 1	$884,522	56.2%	40.0%
Stabilized	$1,525,264	53.9%	42.4%

Projected Op Ex	
Year 1	$(861,293)
Stabilized	$(974,815)

Projected NOI	
Year 1	$23,229
Stabilized	$550,449

Debt Service Coverage	
1st Year	1.3
Stabilized	7.2

Core Assumptions		
Initial Utilization	12%	
Stablized Utilization	62%	
Months to Stabilize	12	months
Avg. Hrs of Ops	16	Hrs/day
Avg. $/Utilized Hr	$39	
% that order food or drink	50%	
Avg. $ per person per check	$13	

Uses	
Legal fees	$ 5,000
Simulators Down Payment	$ 130,000
TVs/POS/Reservation Engine	$ 10,000
Kitchen Appliances/Equipment	$ 25,000
Golfing Equipment & Uniforms	$ 5,000
Furnishings (Lounge & Office)	$ 27,000
Space plan and pricing plan	$ 10,000
Buildout ($100/sf non simulator space)	$ 180,000
1st six months Marketing	$ 28,000
Permits/Registration Fees	$ 10,000
Contingency	$ 45,000
Startup Cost	$475,000
Working Capital	$175,000
Total Startup Costs	**$ 650,000**

Sources	
Total Equity	$ 250,000
SBA Loan	$ 400,000
Total Sources	**$ 650,000**

OPPORTUNITY

In the greater Los Angeles area, there over 800,000 golfers, and of these, more than 700,000 are casual/novice golfers. Although avid/advanced golfers spend the most money on green fees as individuals, they make up only 11% of the golfing demographic. According to the National Golf Foundation (NGF), there are just a many golfers who leave the game of golf as there are golfers that take up the game of golf every year for a number of reasons that traditional golf venues/facilities are unable to address.

Golfers of all levels desire to play a round of golf in less time, with less intimidation, less formality, less weather, and with more fun and enjoyment. According to findings by National Golf Foundation:

- The average time to finish a round of golf at a public golf course takes 5 to 6 hours door to door due to crowded weekends and slow pace of play. The significant time commitment required prohibits many busy professionals in their 20's-40's, especially those with family, from playing as often as they would like.
- Golfers of all levels want a more realistic way to simulate on course play during their practice sessions, especially with respect course management and feel.
- Women and children, who are generally neglected by existing venues, seek golf facilities that are not as intimidating and more accommodating to their needs.
- Casual golfers seek a better alternative to the typical practice facilities and to be able to play and socialize in a more enjoyable setting.

There are ~37,500 of golfing households within a 5-mile radius of downtown Pasadena. According the estimates derived from NGF metrics, there is a significantly higher density of golfers in and around the Pasadena area due to the much higher income levels--approximately 23% household golf participation compared a national average of ~11%. Within a 10-mile radius, there are over 300,000 golfing households. Golfing households are defined as households having at least one individual who plays eight real rounds of golf.

There is only two indoor golf facility that utilizes golf simulators in the entire Los Angeles County. Both are outside of the 10 mile 20 minute drive radius of our proposed location. Given the high density of golfing households in the greater Pasadena area, there is a significant opportunity to locate an indoor golf facility to address the unmet needs of these golfers and achieve attractive returns on investment. According to the two key distributors of golf simulators, Full Swing Golf and aboutGolf, their indoor golf café clients typically experience 70%+ utilization with an average rate between $30-$50 USD.

Indoor golf will never replace outdoor golf. And it is not meant to. Instead, indoor golf will complement outdoor golf the way driving ranges have done for so long, but better because it addresses all the integral shortcomings of existing golf facilities. Since its introduction less than a decade ago in Korea and parts of Europe, indoor golf cafes have experienced an explosion of growth internationally. It is now estimated that in Korea there are five to six times more indoor golfers than there are outdoor golfers. In Europe, Canada, and the north and eastern United States, the indoor golf concept is beginning to grow in numbers every year.

TL addresses the local unmet demand because of its:

Novelty—Utilizing advanced simulation and visual technology, TL provides an immersive, one of a kind (unique?) experience for patrons.

Realism—*Unique from other inferior devices in the market that only allows for a limited and video game-like experience,* patrons will be able to hit with their own golf clubs and balls on real courses. The very accurate sensors drive real time, near HD visuals, making TL the best alternative AND complement to playing outside. *Experience and skills acquired playing indoor golf will directly translate into better outdoor performance.*

Access—Patrons will be able to select and play on over 60 world famous golf courses with friends and golfers from around the world via internet enabled functionality.

Wide appeal—TL appeals to women, children, seniors, and beginners, but also to advanced players because players can play at their own pace, on their own terms, and in their own stations.

Availability—TL is weather independent, opens early and closes late. Players will be able to play and practice rain or shine, hot or cold, light or dark, all the while in a comfortable, lounge setting.

Efficiency—TL saves players time because a group of four will be able to finish 18 holes in approximately 2.5hrs

Affordability—TL is affordable because the cost per person per round of 18 is less than the typical green fee of nearby public courses (~$30-$40)

What is Indoor Golf?

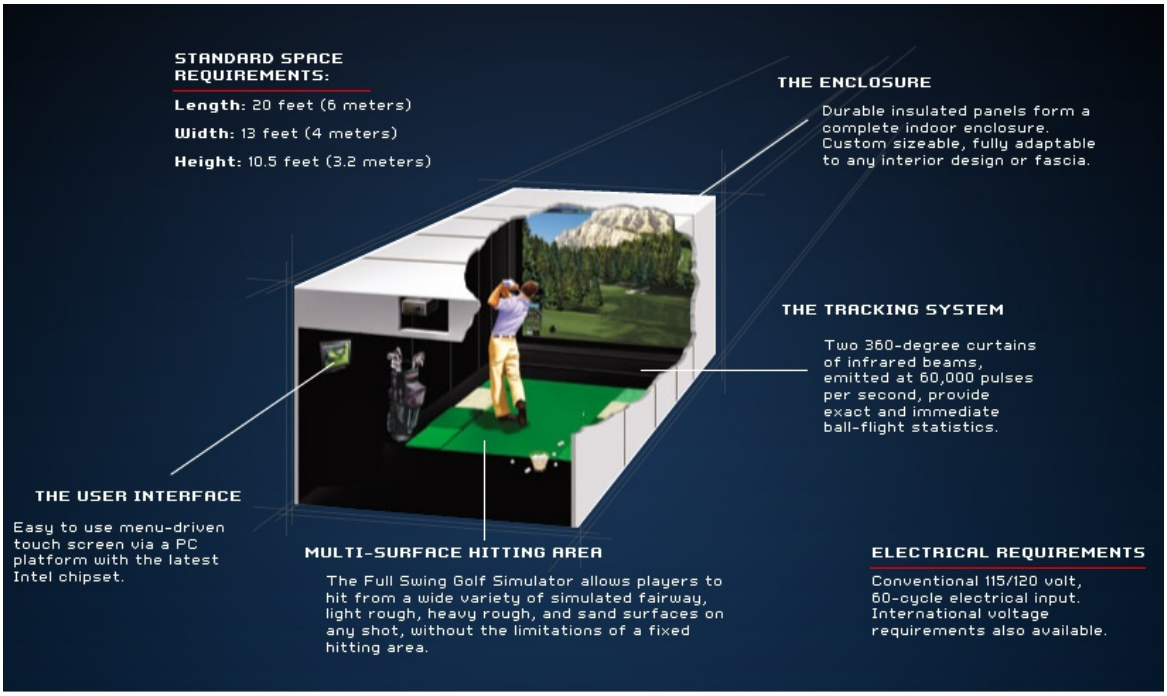
STANDARD SPACE REQUIREMENTS:
Length: 20 feet (6 meters)
Width: 13 feet (4 meters)
Height: 10.5 feet (3.2 meters)
THE ENCLOSURE
Durable insulated panels form a complete indoor enclosure. Custom sizeable, fully adaptable to any interior design or fascia.
THE TRACKING SYSTEM
Two 360-degree curtains of infrared beams, emitted at 60,000 pulses per second, provide exact and immediate ball-flight statistics.
THE USER INTERFACE
Easy to use menu-driven touch screen via a PC platform with the latest Intel chipset.
MULTI-SURFACE HITTING AREA
The Full Swing Golf Simulator allows players to hit from a wide variety of simulated fairway, light rough, heavy rough, and sand surfaces on any shot, without the limitations of a fixed hitting area.
ELECTRICAL REQUIREMENTS
Conventional 115/120 volt, 60-cycle electrical input. International voltage requirements also available.

Figure 1: Full Swing Golf System Standard Specifications

Indoor golf utilizes the latest in virtual golf simulation technology. While there are several main distributors of such technology, the fundamental components are essentially the same. Key Components include:

- Sensors—Whether using sophisticated ultra high-speed cameras or infrared laser detection grids, golf simulators are able to detect and process all key ball flight characteristics in real time.
- Processing Unit—The sensors are connected to a PC processes and outputs the results via video
- Projector—Receives and projects real time, high definition graphics onto an impact screen.
- Impact Screen—Receives the displayed graphics from the projector while also serving as a stop for golf balls hit by the users. Screens are designed to stop the ball safely immediately after impact.
- Multi-Surface Hitting Area—Similar to driving ranges, the simulators will provide an artificial hitting area for the users. However, there will be various surfaces (i.e. fairway, light rough, thick rough, and sand) to simulate real, on course conditions.
- Touch Screen Interface—Users will be able to easily and quickly setup their playing sessions via a touch screen monitor.
- Enclosure—An enclosure is included to ensure that very wayward hits are contained within the hitting area. Enclosure walls feature impact absorption technology to stop balls quickly and safely.

Key Distributors:

Full Swing Golf

- Based in San Diego, California
- Technology: Infrared detection system
- Pros:
  - Cutting edge, intuitive, and well developed software
  - Location makes maintenance easy for their CA clients
  - Players can hit any kind of ball from anywhere on the mat
- Cons:
  - Players have to putt over their censors. Putting not intuitive for short putts (inside six feet)
  - Sensors do not detect true ball spins but calculates it.

aboutGolf

- Based in Maumee, Ohio
- Technology: High speed cameras
- Pros:
  - Has more options with respect to station setups (e.g. includes three screen system)
  - Sensors detect true ball spins and other flight characteristics, intuitive short putts
  - True flight and spin measurements, not estimated
- Cons:
  - Unappealing, less intuitive, less robust user interface
  - Slower response time to clients in the CA

Figure 2: aboutGolf System main touch screen interface

Figure 3: Actual play on an aboutGolf simulator

Parmasters Golf—A similar and successful concept

Parmasters Golf (PG) is a proven indoor golf franchise model that operates as a golf-training center. Since its inception in 1998, Parmasters Golf has grown to the current 104 training facilities with markets covering 9 regions: Mid America, Middle East/Africa, South Central, Canada, Mid Atlantic, China, Mountain, South Atlantic, and North East. Despite the current economic environment, PG has experienced a significant growth rate in the past 3 years. Additionally, they have seen an increase of franchise inquiries from Q2 2009 to date; compared to the entire calendar year of 2008. PG's vision and goal is "to create the ultimate golf training center franchise in the world and to help golfers make more birdies, while releasing them from the burden of inconsistent results that effects most amateur golfers." Each training center boosts:

- A 4,000 square foot short game area with 20 foot ceilings, an undulating putting green, sand traps, and chipping areas;
- Golf simulators featuring world famous courses for precision practice, golf leagues, and social rounds;
- Multiple driving net areas with state-of-the-art training equipment;
- Golf Fitness Center with weights and cardio equipment for core strength training;
- retail area, featuring golf training aids and tools, logo'd apparel, and custom-fit, custom-designed Mizuno Golf Clubs;
- Dressing rooms and a lounge area for members to unwind; and an optional
- **Links Golf Café** with gourmet organic coffee and clubhouse fare.

Despite PG's continued success and growth internationally over the past decade, they have yet to infiltrate the West Coast market, and more specifically in the California metropolitan areas. There are several key reasons inherent in PG's model that makes this market difficult for them; PG facilities are typically 10,000 – 30,000 sf in size to accommodate large practice areas, changing rooms, etc. To support the structure, they need very cheap real estate, low rents, or both. Los Angeles rents are cost prohibitive given their physical requirement for large layouts and common areas that do not generate revenue and support cash flow. Additionally, PG is marketed as the premier indoor golf *training* facility; it cannot be without the key signature of a large practice area, which requires high ceilings, and a significant floor area.

PG's model is very similar to a "big box" model, ex: Wal-Mart. The key commonalities include a large stand-alone building, big parking lot, relatively inexpensive rents, and requiring a long market reach (30 mi +). The only areas that are cost efficient enough in southern California available for PG's model do not have the local demographic support it needs to be financially viable.

Figure 4: Parmasters Golf facility with short game area and aboutGolf simulators

MARKET STUDY

Market Sizing

5-mile Radius			
Income	**Households**	**% Participating**	**Participating Households**
0-$14,999	11135	4.8%	529
$15,000 to $24,999	18357	6.6%	1204
$25,000 to $34,999	16597	11.2%	1864
$35,000 to $49,999	20698	17.3%	3587
$50,000 to $74,999	31800	25.6%	8128
$75,000 or Higher	64307	34.6%	22232
		Total Golfing Households	**37,543**
		Overall % Golfing Households	**23.0%**
		National Average	**11.0%**

10-mile			
Income	**Households**	**% Participating**	**Participating Households**
0-$14,999	110889	4.8%	5268
$15,000 to $24,999	191990	6.6%	12591
$25,000 to $34,999	174184	11.2%	19563
$35,000 to $49,999	215795	17.3%	37398
$50,000 to $74,999	274560	25.6%	70173
$75,000 or Higher	500183	34.6%	172920
		Total Participating Households	**317,913**
		Overall % Participating	**21.7%**
		National Average	**11.0%**

Figure 5: National Golf Foundation Metric Estimates for golfing households within 5-mile, 10-mile radiuses from Downtown Pasadena

Based on these NGF results, the surrounding markets have more than twice national golf participation. This is not surprising considering the well above average income levels in this area is nearly twice the average national household income. Higher income levels lead to greater golf participation.

Also, the National Golf Foundation designates a household as golfing if it has at least one individual that plays at least eight full rounds of golf annually. The above market sizing thus leaves out a sizable set of novice and very casual golfers who frequent driving ranges far more often than they do real golf courses.

Market Penetration

For the sake of analysis, even if we assume that TL's market does not include golfers who play fewer than eight rounds of golf annually AND that TL's only market are these more avid golfing households, TL would still only need the following market penetrations to achieve breakeven and stabilized figures, while conservatively assuming golfing households play an average of only 12 rounds a year (average for golfing households is estimated by NGF to be 18+ rounds/year):

	Break Even	Stablized
5-Mile	1.0%	5.0%
10-Mile	0.1%	0.6%

* Assumes golfing household plays an average of 12 rounds annually.

Women Golfers

According to the "What Women Want" study conducted by National Golf Foundation, 3.7M of the 12M former golfers are women. The main reason for leaving the sport was that entry barriers were too high. However, these barriers are not financial.

The findings showed that what prevented many women from properly taking up the game of golf or lead them to leave soon after taking up the sport was facility attitudes towards women, awareness of the unique needs of women golfers versus male golfers, and the lack of a comfortable environment where women golfers can participate and thrive. This was surprising since the best and most avid women golfers spend much more money on the sport than most men golfers.

	% of Golfers	$$ Annually	Rounds Played
Women			
Junior Leaguers	18.0%	$1,604	24.1
Swingin' Seniors	8.0%	$1,625	42.3
Men			
Dillettante Duffers	12.0%	$1,149	15.6
Pull-Carts	11.0%	$1,367	32.1
Tank Tops & Tennis Shoes	17.0%	$565	12.9
Public Pundits	13.0%	$1,999	51.6
Country Club Traditionals	11.0%	$4,413	68.9

Their findings showed that women golfers are both able and willing to spend as much as most of the men golfers. The women segment makes up 26% of all golfers and thus cannot be ignored. In fact, the PGA Tour's Golf 20/20 research study concluded that at least 1/3 of golf's latent demand comes from women and, of the golf's best customers, those who play the most golf and spend the most on golf, nearly 2 million are women. They found that women, on average, spend MORE money per round then men.

The study also found that women golfers:

- Are more likely to be occasional, casual golfers then men and prefer to use practice facilities-alternative locations-to enjoy the game rather than playing on the course.
- Are more concerned about the learning environment than men—52% of women said they would prefer a "non-embarrassing" learning environment, versus 28% for men.
- Want to be able to learn with other beginners--48% of women.
- Are taking up golf at twice the rate that men are. It is expected that women will soon make up over 1/3 of all golfers and continue to grow at a faster participation rate.
- Are similar to male golfers in that they want to be able to play a round of golf in less time

Tee Lounge Will Appeal to Women

Tee Lounge will appeal to women because its facilities and services address every barrier to entry.

- Novice Friendly: Open simulators provide a non-intimidating, non-embarrassing, yet fun and casual learning environment
- Flexibility: Women golfers can come to play anytime, at their own pace, and on their own terms.
- Environment: Tee Lounge allows the women golfers to get away from the elements with amenities that are conducive to social golf.

Competition

Direct

On the surface, direct competition with TL appears to be significant. There are approximately 10 golf courses and driving ranges and one indoor golf facility within five miles of the downtown Pasadena area.

- Indoor golf facilities—there are two known indoor golf facilities in entire Southern California and they are approximately 15 and 20 miles from downtown Pasadena. Both facilities, Players Club Golf of Santa Monica and Family Golf of Los Angeles, are located in very poor locations and sites with restricted uses. Patronage at these facilities revealed that that Players Club Golf can at most accommodate three vehicles in its parking lot, lacks street visibility (had to turn around twice in order to find it) and parking, and is narrowly tailored to avid/advanced golfers as a golf training center (half of the space is used as a workout gym). Additionally, it lacks any support services or finesse (interior is industrial in look and fee) that appeal to golfers. Family Golf is located in an industrial area in Los Angeles and is immediately adjacent to two car repair shops. Due to the industrial zoning of this site, they are unable to offer food or alcohol. Also, after only three weeks in existence, their exterior walls are already covered with graffiti.

- Courses | Driving Ranges—TL only directly competes with these facilities during prime, daytime hours when outdoor play is ideal. Barriers mentioned above make TL competitive during non-ideal weather, busy, and dark hours. TL will serve more as a complement by allowing golfers to practice golf when they are unable to use traditional facilities.

On closer inspection, the competition from these existing golfing facilities is direct than it appears--primarily fighting for daytime play from the advanced/avid golfers. For the majority of golfers, TL's services are a complement to the existing golfing facilities. TL will allow golfers to play and practice the game of golf when they typically are not able to utilize these more traditional golf facilities.

With respect to the existing indoor golfing facilities, TL will have a competitive advantage for the following reasons:

- Broader appeal to a wider group of golfers from novice to advanced, English and non-English speaking
- Entertainment focus and lounge atmosphere will attract younger, out about town demographic in evenings
- Support services such as restaurant level food and beer & wine
- Superior location within walking distance from target demographic with ample parking, great visibility, and access

Indirect

Indirect competitors, depending on how broadly one defines competition, could be any other business that attracts patronage during the operating hours of TL. Lucky Strike, the high-end bowling alley, is a business model where TL drew inspiration. business model of Lucky Strike and TL are very similar in that the sport/physical factor is well complemented with an equally crucial entertainment factor to provide its patrons an experience that they want to repeat and revisit. No competition here though since the nearest Lucky Strike is a 45 minute drive away.

Other indirect competitors could be traditional bowling alleys, nightclubs, miniature golf, bars, lounges, etc… However, the nature of this kind of indirect competition affects all evening entertainment business, not just TL.

Figure 6: High-end Lucky Strike Bowling

BUSINESS DESCRIPTION

Tee Lounge provides most of same features (i.e. no short game area) that make Parmasters Golf facilities appealing but it is also adapted specifically to fit the more densely populated, urban southern California market. TL has a lounge atmosphere where golfers and friends can come and relax over golf, drinks, and tapas style foods served by friendly "caddies". TL will have five Open simulator stations as well as one fully Enclosed VIP Station.

Open stations (similar to those in Figure 4) will have:

- A designated simulator with seating for a small to mid-sized group (4-6)
- Is Open—only those with direct view of the screen and hitting area could watch the play
- Full service for drink and food orders

Enclosed VIP stations will have all the features of the Open stations as well as:

- A private room with a door for true private play
- An expanded private lounge area enough to accommodate up to 12 people in the room
- A large LCD HDTV with Nintendo's Wii and Microsoft's Xbox 360 game consoles for non-golfers
- Designated caddie to service the group
- Access to restricted local and global events/competitions, regardless of having TL membership, under a VIP guest account

TL will provide the surrounding neighborhoods with wholesome activities and create long-term value and enhanced quality of life. The design will complement the surrounding "Old Town" atmosphere and fit within the city of Pasadena's historic tradition.

Competitive Advantages

- Proven Concept & Technology: Parmasters Golf facilities demonstrate the existence of strong demand for indoor golf simulators. These same simulators are used by well known PGA golfers (e.g. Tiger Woods, Phil Mickelson) and golf-fanatic celebrities (e.g. the cast of Entourage, Justin Timberlake, Michael Jordan, etc..). Currently, the majority of users of indoor golf simulators are private owners playing in their custom golfing rooms.
- Novelty: Although indoor golf is a proven concept, it is new to this market. TL's unique lounge atmosphere is a fitting spin on indoor golf facilities, which has traditionally focused exclusively on training rather than on entertainment.
- Location: Locating TL in the downtown Pasadena area, along the 210-freeway corridor and near a major exit off the 10 freeway, provides many opportunities for revenue growth as it is within driving distance from 14 cities. With an average income nearly twice that of the national average, there exists a high density of local golfing households with the disposable income and time to patron TL.
- Operational Rigor: Both managers have extensive institutional experience in real estate acquisitions (deal sourcing, underwriting, analysis), development (construction, tenant improvements), and operations (cash flow, leasing, tenant relations, vendor relations, marketing). These skill sets and professional experiences are transferrable to TL.
    - Symon has managed small teams of experienced engineers at tech startups as well as completed over $350M in real estate acquisition, management, and disposition. Symon's analytical and technological background combined with his ability to lead and manage small teams will position TL for success. In addition, Symon has built a team of capable advisors with relevant expertise.
- Completeness: The indoor golf concept is relatively young and growing, with current indoor golf cafes and facilities focusing exclusively on either the technical/training aspect (Greater Americas, Europe, and select Asian regions) or the entertainment aspect (ex: Korea). While the existing market paradigm dictates the two to be mutually exclusive, TL recognizes that to be a false distinction. By creating an experience where the technical aspect and entertainment features are complementary pieces, TL aims to be the first to offer a complete experience. There is an unmet need for a golf experience that is both entertaining and welcoming. While traditional golf venues allow users to train and practice, there are few opportunities to allow them to socialize in a clubhouse setting, especially during non-ideal playing times.

Challenges

- Start-up Cost: A major portion of the start-up cost is associated with the purchase of the state of the art indoor golf simulators as well as tenant improvement costs for fixtures, trims, furniture, etc., both of which are necessary upfront expenses that must be incurred prior to actual operations to ensure the proper look and feel.
- Proven concept in Unproven Location: Although the two existing indoor golf venues are poorly executed business models and the owners are either too narrowly focused on the technical aspects of golf or targeting only a small segment of the market, both locations are still thriving and shows no signs of financial trouble. TL, with its research driven, market ready concept and superior service offerings in a superior location that has a very high density of golfers, will be positioned to perform.

Successful Concepts: TL will have both VIP and Standard (open) Simulator Stations

Figure 7: Indoor golf café Private VIP Station

Figure 8: Indoor golf café Open stations using Full Swing Golf simulators

REVENUE SOURCES

Simulators

Approximately 55-60% of TL's revenue will be derived directly from simulator station rentals. Given that the operating expenses of the simulators are marginal (i.e. coverage of utilities and annual replacement of mats, screen, and light bulbs) compared to the revenues, every hour of unutilized machine time is lost profit. In order to maximize the utilization of simulator hours, all non-core services that TL provides will seek to drive utilization.

Standard (Open) Simulator Rates			VIP Simulator Rates		
Non-Member Rates			***Non-Member Rates***		
Weekday Daytime Rate	$26	/hr	Weekday Daytime Rate	$35	/hr
Weekday Nighttime Rate	$36	/hr	Weekday Nighttime Rate	$50	/hr
Weekend Daytime Rate	$26	/hr	Weekend Daytime Rate	$35	/hr
Weekend Nighttime Rate	$36	/hr	Weekend Nighttime Rate	$50	/hr
Member Discount					
12%					
Member Rates			***Member Rates***		
Weekday Daytime Rate	$23	/hr	Weekday Daytime Rate	$31	/hr
Weekday Nighttime Rate	$32	/hr	Weekday Nighttime Rate	$44	/hr
Weekend Daytime Rate	$23	/hr	Weekend Daytime Rate	$31	/hr
Weekend Nighttime Rate	$32	/hr	Weekend Nighttime Rate	$44	/hr
Average Daytime Rate	$27	per hour			
Average Evening Rate	$37	per hour			
Average Food&Drink&Alcohol Total/patron	$11	per person per check			

The peak hours of operation will likely be from after 4pm to closing (1am) and therefore, TL will price accordingly. During the daytime, when most young professionals are at work, TL will encourage the utilization of the machines through lower rates and more targeted activities for the daytime crowd.

Food & Drink

To create an atmosphere friendly to typical golfing groups of 3-6, TL will provide a variety of drinks and tapas style (i.e. delicious snacks, finger foods and appetizers) foods to complement and support the indoor golfing experience. TL will carry a commendable selection of teas, non-alcoholic drinks, as well as choice beer and wine. TL will pursue a full liquor license immediately but will assume for planning purposes that full license is achieved in the 2nd year to be conservative.

Both the food and drink items will be easy to make and not require TL to maintain specialized staffing or equipment typical of a full service restaurant. In addition, TL's emphasis on the small and tasty will allow it to price its food and drink items attractively to its patrons by keeping most menu items in the category of "small share of wallet"—less than $10 per item. The small share of wallet rule will encourage patrons to not only order the food and drinks without much hesitation, but to stay and play on the simulators until they finish eating and drinking. In addition, it will allow TL to create a menu that is easy to make, cost effective, drives volume, and makes substantial margins (>50% gross margins per item). **For conservative planning purposes, the pro formas assume that the total Food & Beverages (including alcohol) is approximately $11/person.** With alcohol sales, the figure is expected to be much higher.

Other Support Services

TL will also establish other support services to maximize overall utilization of the machines.

- Memberships—TL will offer membership benefits and collect annual membership dues.
- Tournament/League Play—TL will organize and host ongoing golfing tournaments and leagues that will encourage more frequent patronage. The events will be organized by time of day, day of the week, and skill level.
- Senior Specific—TL will offer special senior pricing in the morning hours to encourage utilization of machines during these lowest use hours.
- Themed Days—To encourage play among the frequently neglected golfing demographics, TL will host events such as Women's Only nights, parent/child tournaments.
- Instruction—TL will collaborate with local PGA professionals during the daytime hours where they will provide lessons at TL for their group/individual lessons.
- Stats—Both on location and online, TL will post tournament statistics and standings that encourage competition and play as well as creating a sense of community for our patrons. TL will also work towards being able to store and track individual statistics for each playing session in order to track member's personal progress, something that is currently not available anywhere.
- Games—TL will provide prizes for games of the day (e.g. longest drive, closest to the pin, longest putt made, manager's challenge, etc…). These activities will create a vibrant and fun atmosphere that will sure encourage more patronage.

Sample Menu Items

Figure 9: Easy to make (assembled or baked/toasted) items made with fresh local ingredients

Figure 10: TL will offer choice tap and bottle beer and wine selections

MARKETING PLAN

The marketing plan is divided into two categories: start-up and ongoing—each emphasizing the targeting of specific segments of the golfing community for specific times of the day.

Type of Golfer	Description	% of Market	Likely Patronage Time
Core Golfers	20-40s, >8 rounds a year	65%	Evenings
Novice Golfers	>20 Handicap	73%	Evenings, Throughout Day
Senior Golfers	50+	8%	Mornings
Parents/Children Golfers	Kids <14	14%	Uncertain/Throughout Day
Advanced Golfers	<10 handicap	5%	Uncertain/Throughout Day

* Percentages add to greater than 100% due to overlap

Start-Up Marketing

Start-up marketing will include both traditional and social media advertising to maximize exposure and educate the market.

Traditional Media:

Local Newspapers and Radio Stations—Beginning one month before the grand opening, we will run ads in local major newspapers, culminating into full-page ads a week before opening. We will also run strategically placed radio ads as well as a flood of press releases that should also garner coverage in local press.

Direct Flyers and Mailers—TL will market directly to our target markets using handout flyers and mailers --every corporation, office, public golf course, driving range, and private residence within a 20-mile radius will be targeted. The mailings and handouts will announce our opening, highlight key TL features, and include promotional rates for the grand opening as well as membership.

Non-traditional Media:

Online Media—One month before grand opening, TL will engage in marketing to our target market via online blogs, forums, YouTube and social networks that will drive traffic to the TL website, where there is information about its grand opening, services, scheduling, and promotional offers.

- YouTube—TL will post videos of golfers playing on our simulators and enjoying a good time with their friends
- Facebook/Myspace/Social Networking Sites—TL will have its own profile on the two biggest social networks to connect to both members and nonmembers. TL will frequently update the profile to inform customers of upcoming tournaments, leagues, and any other updates that will encourage them to patron TL.
- Yelp/Blogs—TL will actively manage and respond to any inquiries and address any complaints voiced by patrons on the most popular review sites.

Ongoing Marketing

As the TL brand develops, local print and radio advertising will become a small percentage of total advertising. Instead, marketing will concentrate on targeted direct marketing to current TL golfers and corporate members. Targeted advertising will use both direct mailers as well as online media. The location along two major thoroughfares also allows what we call incidental advertising though its visibility. The total traffic passing by on 210 will provide tremendous "free" advertising to entice new customers to enjoy golf entertainment at TL. In addition, TL will institute referral programs as well as sponsor local outdoor golfing events to gain relevant publicity and market exposure.

Membership

Although membership will not be required, we will offer comprehensive membership perquisites to encourage patrons to become members and thus to more frequently patron Tee Lounge. Memberships should not only increases revenues, but also ensure a steady income flow throughout the year as members take advantage of their perquisites. Patrons that are members are incentivized to play more often as they will be able to do so with more convenience and better value.

Memberships	Cost			
Individual	$150	year		
Family (up to 4)	$300	year		
Corporate	$5,000	year	(includes 12 hours/month)	

INVESTMENT STRUCTURE:

Based on a nine (9) simulator facility, we have the following capital request:

Total Startup Costs: **$1,075K USD**

Total Private Investment Dollars Requested: **$950K USD**

Investment Term: **Five (5) years, with a three (3) year target to return original capital, then ongoing profit share**

Distribution Schedule:

No distributions for the first nine months during ramp up, then distributable net profits will be distributed quarterly according to the following schedule:

- Pro rata (i.e. 89.5% and 10.5%) to Investors and Manager until all original investment capital is recovered (i.e. $950K)
- Then, 65% to Investors, 35% to Manager, until Investors achieve 2x total return (i.e. $950 x 2= $1.9M)
- Finally, 25% to Investors, 75% to Manager thereafter.
- **However, if the net profit distributions to Investors in any given year (calculated quarterly) do not exceed $237.5K (25% of $950K) a year, then the investors will get 100% of the distributable profits and the manager will get no profit distribution.**

Other Terms:

- **First Right of Refusal**—Original Investors will be given the right, but not the obligation, to invest in at least 25% of the interests for the next five (5) future facilities in a structure similar to the current in principle. Exact terms TBD.
- **Liquidation of Interests**—Investors cannot liquidate interests in the first five years. Thereafter, other members have the first right of refusal to purchase liquidating interests at a 2.0 multiple on annual returns.
- **Right to Remove Management**—Ownership interests will have the right to remove management from day to day operations on the following conditions:
    - If the business is not break even by the thirteenth (13^{th}) month following Grand Opening
    - If the business is not generating at least a 15% per year return (calculated quarterly) to Investors on original investment dollars after twenty (20) months from Grand Opening
    - Removal must be approved by super majority of interests (i.e. 75% of interests) and three-fifths vote from the board of advisors, of which two seats are selected by Investors and a third seat mutually approved by both Investors and Manager.
- **Liquidation Preference**—In the case of a liquidation event, *Investors will get 100% of their original investment back first*, and then manager recovers its original investment. Thereafter, split any remaining capital at then capital splits.
- **Limited Liability**—Investors will have limited liability status as limited members while manager will have general liability exposure. Manager will provide full indemnification of investors as allowed by applicable laws.
- **New Member Restrictions**—Manager cannot add new investors without a super majority consent from the Investors (75% of Investors' ownership must vote in favor to allow).
- **Management Salary**—Management will be paid a market rate upon stabilization. Prior to stabilization, management compensation will be 50% and 75% of market rate (Discussed on following page)

Management Compensation

Manager and co-manager will be working full time to build the concept and ramp up the concept. Upon stabilization, management hours will be limited, as management will be working with Investors on subsequent locations.

To demonstrate managements' commitment to the venture, management proposes the following compensation schedule:

- Pre Opening (6-8 months)
    - 50% of market rate ($15/hr)
    - Max 60 hrs/week (Max ~$7500 per month for two full time managers)
    - Anticipated: 60 hours at total monthly amount of $7,500 for two full time managers
- Opening to Stabilization (12-18 months)
    - 75% of market rate ($20/hr)
    - Max 60 hrs/week (Max ~$10,000 per month for two full time managers)
    - Anticipated: 60 hours at total monthly amount of $10,000 for two full time managers
- Post Stabilization
    - 100% of market rate ($30.00/hr)
    - Max of 48 hrs/week (Max ~$12,000 per month for two full time managers)
    - Anticipated: 40 hours at total monthly amount of $10,200 for two full time managers

Stabilization will be defined to be reached when annual net profits (calculated quarterly) exceeds the minimum 25% per annum return to Investors.

Management has voluntarily placed upper bounds on the number of hours that could be claimed so that the maximum salary expense is capped and very reasonable.

Management will be training replacement managers from grand opening so that upon stabilization, they can focus on the next location with the Investors.

Pre Opening	hrs/day	days/week	days/month	hrs/week	Hourly rate	Total Management Compensation/month
MAX Allowed	12	5	21	60	$ 15.00	**$ 7,560.00**
Alternative 1- Anticipated	10	6	25	60	$ 15.00	$ 7,500.00
Alternative 2	8	6	25	48	$ 15.00	$ 6,000.00

Opening to Stabilization	hrs/day	days/week	days/month	hrs/week	Hourly rate	Total Management Compensation/month
MAX Allowed	12	5	21	60	$ 20.00	**$ 10,080.00**
Alternative 1- Anticipated	10	6	25	60	$ 20.00	$ 10,000.00
Alternative 2	8	6	25	48	$ 20.00	$ 8,000.00

Post Stabilization	hrs/day	days/week	days/month	hrs/week	Hourly rate	Total Management Compensation/month
MAX Allowed	12	4	17	48	$ 30.00	**$ 12,240.00**
Alternative 1- Anticipated	10	4	17	40	$ 30.00	$ 10,200.00
Alternative 2	8	5	21	40	$ 30.00	$ 10,080.00

Figure 11: Outline of maximum and anticipated monthly compensation for two full time managers

Scenario Analysis

Internationally, similar indoor golf facilities enjoy utilizations north of 70% at stabilization. However, since there are few good models to gauge golf simulator demand in this particular market, our business plan follows conservative ramp up assumptions to achieve our sales targets.

Base Case:

While believe the higher density of golfing households, and thus golfers, in the immediate surrounding market will allow TL to achieve better performance than similar facilities in other parts of the world with lower golfing densities, we conservatively assume that after three months of marketing prior the grand opening, the business will start at a utilization of only 14% (approximately one in seven available machine hours are leased) and then take 14 months to reach a stabilized utilization of 62%, well below what the average indoor golf facility enjoys internationally.

Best Case:

If the market, with its higher density of golfers, receives TL at a level similar to the reception received by indoor golf facilities around the world, and often in places with lower densities of golfers, then we anticipate being able to achieve breakeven and stabilization much faster—stabilizing at 68% within 12 months. However, we may likely achieve even better performance.

Low Case:

Although we do not anticipate a significantly below average reception, we believe it to be fruitful to look at what an unlikely poor scenario may look like. In this case, if we were only able to start at 10% utilization (only one in ten available hours are leased), and it takes us 16 months to reach a stabilization of only 50%, we would break even in the first year with little to no expected profit.

Pro Forma: For full pro forma assumptions/figures, please contact Symon He directly.

Expansion Potential:

We have identified several key potential markets that a Tee Lounge facility would likely succeed in. These target markets all have well above average local income levels ($90K+/household) as well as golfing densities.

With the first location serving as both a proof of concept and cash source for subsequent expansion, Tee Lounge is well position to enter these markets, which currently do not have any comparable competition.

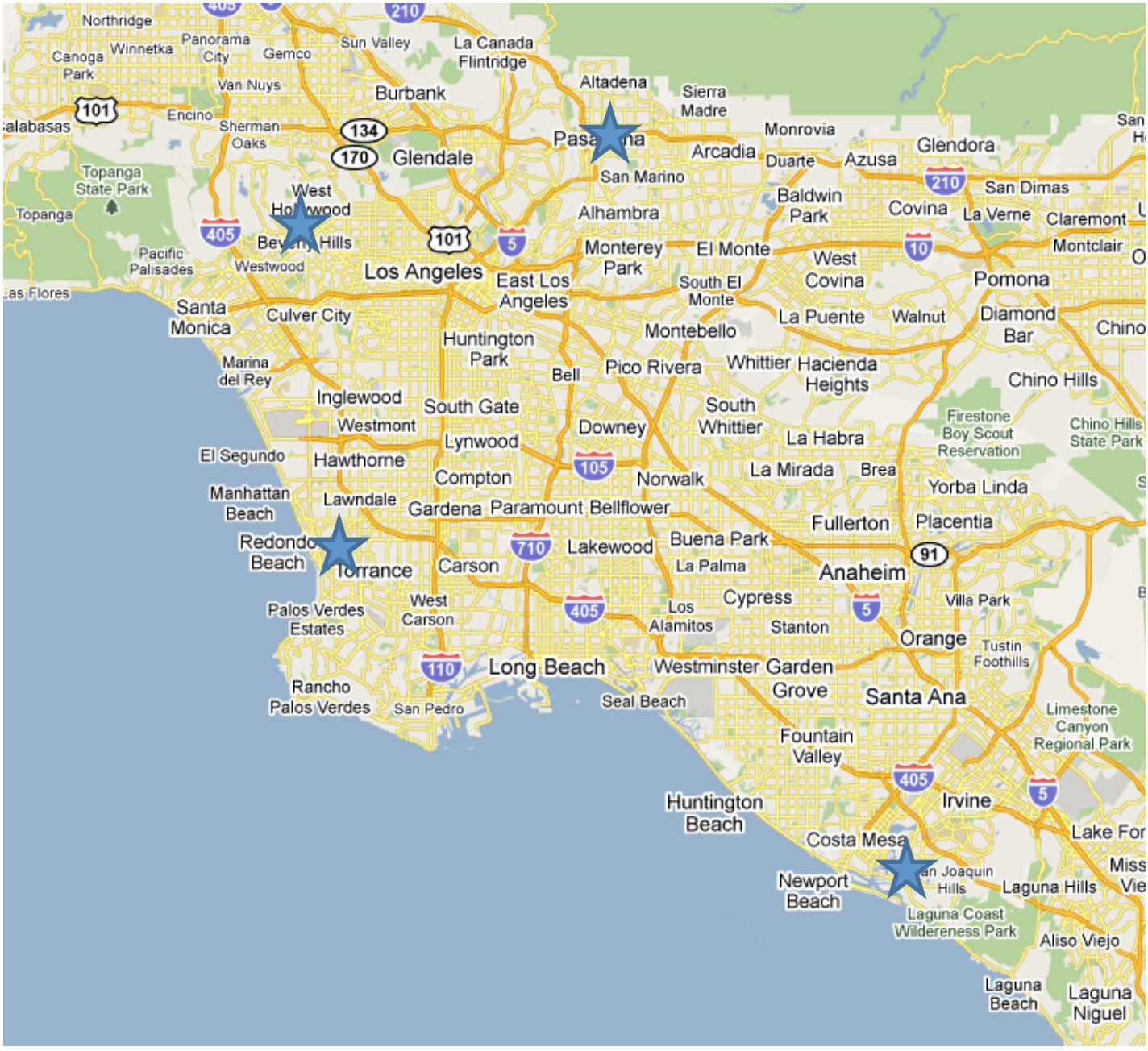

Figure 12: Key potential Southern California Markets for future expansion

Other markets in the US that may fit the TL model well are downtown areas in San Francisco, Seattle, Chicago, and New York. Each of these cities could present multiple locations.